

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGRE-00 CIAE-00 COME-00 DODE-00

DOTE-00 FMC-01 INR-07 NSAE-00 SAL-01 CG-00 DLOS-06

OES-06 AID-05 OMB-01 L-03 TRSE-00 /045 W

-----061028Z 089963 /13

R 060926Z JAN 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4570

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PASS USDA FOR STEPHENS, EPD, CEP/OGSM

E O 11652: NA

TAGS: EWWT, RP

SUBJ: SHIPPING DISCRIMINATION: FLAG PREFERENCE AND CCC-FINANCES
SHIPMENTS

REF: STATE 304461

1. PROCEDURES OUTLINED PARAS 2 AND 3 OF REFTEL ARE BASICALLY CORRECT. HOWEVER, DBP WOULD ARGUE THAT MANY MILLS ARE IN POOR FINANCIAL CONDITION AND IT DOES IN FACT EXTEND CREDIT TO THESE MILLS, IN SOME CASES, UP TO 5 YEARS. HOWEVER, LARGER PART OF CREDIT IS FOR OTHER THAN FINANCING COTTON IMPORTS. THUS THERE IS A POSSIBLE GOP RATIONALE FOR INSISTING ON THE USE OF PHILIPPINE FLAG VESSELS.

2. OF CURRENT \$10 MILLION CCC LINE, BEST ESTIMATE IS THAT AT LEAST \$7.0 MILLION IS ALLOCATED TO MILLS IN RELATIVELY GOOD FINANCIAL CONDITION AND MOST WILL REPAY DBP IN FULL BY END OF ONE YEAR. THUS, IN EMBASSY VIEW, SINCE DBP HAS USE OF BULK OF CCC FUNDS FOR UP TO TWO YEARS, SHIPPERS SHOULD BE FREE TO CHOOSE WHICHEVER FLAG VESSEL BEST FITS SHIPPING SCHEDULE.

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3. RE TOBACCO, REPAYMENT IS DUE AT END OF SIX MONTHS. IN PREVIOUS YEARS DBP HAD USE OF FUNDS FOR 2 1/2 YEARS, BUT ONLY FOR 6 MONTHS FOR CURRENT LINE WHICH IS FOR ONE YEAR. SINCE TOBACCO OPERATIONS ARE FINANCIALLY FAVORABLE, THERE IS EVEN LESS REASON FOR GOP TO INSIST ON PHILIPPINE FLAG PREFERENCE.

4. RE PARA 5 AND IMPORTANCE OF DBP AS GUARANTOR, IN CASE OF

TOBACCO IT IS PROBABLY NOT IMPORTANT AS MOST MANUFACTURERS ARE IN GOOD FINANCIAL CONDITION. HOWEVER, FOR COTTON, PROBLEM IS MORE DIFFICULT. IN ANY EVENT, TO BYPASS DBP WOULD REQUIRE CENTRAL BANK APPROVAL AND CB ASSURANCE TO OPENING BANKS THAT FOREIGN EXCHANGE WOULD BE MADE AVAILABLE WHEN NEEDED TO REPAY CCC.

5. WHILE WE HAVE NOT DISCUSSED SUBJECT WITH DBP, WE BELIEVE DBP RATIONALE FOR PHILIPPINE FLAG PREFERENCE IS BASED NOT SO MUCH ON ITS ROLE AS GUARANTOR BUT RATHER THAT OF A GOP "LENDER" OR "RETAILER" OF FUNDS FROM NO MATTER WHAT SOURCE, I.E., CCC IN THIS CASE OR THE CENTRAL BANK IN OTHER INSTANCES.

6. ON BALANCE WE BELIEVE WE SHOULD INSIST ON FREEDOM OF SHIPMENT OF COTTON AND TOBACCO WHICH GO ON CONFERENCE LINERS, BUT FOREGO THAT ON WHEAT WHICH IS IN BULK TRADE AND ALSO HANDLED BY SHIPPER RATHER THAN CONSIGNEE. DEPARTMENT MAY WISH TO CONSIDER WHETHER OUR APPROACH SHOULD BE MADE IN THE ABSENCE OF A SECTION 19 DETERMINATION OR PURSUANT THERETO. IN ANY CASE, WE SUGGEST THAT THE FIRST APPROACH SHOULD BE TO THE DBP ON A LOW KEY AND INFORMAL BASIS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MARINE TRANSPORTATION, LAW, DISCRIMINATION, CREDIT, FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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ISecure: 1
Legacy Key: link1977/newtext/t19770175/aaaacnwy.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:01 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:09 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
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